

The original documents are located in Box C1, folder “Presidential Handwriting, 8/21/1974” of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

THE WHITE HOUSE

WASHINGTON

August 21, 1974

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: KENNETH R. COLE, JR.
FROM: JERRY H. JONES
SUBJECT: Your Decision on Payroll
Taxes and Health Insurance

Your memorandum to the President of August 20 on the above subject has been reviewed and Option 1 was approved. In addition, the following notation was made:

-- I have talked with Bill T.

cc: Al Haig
Bill Timmons

THE WHITE HOUSE

WASHINGTON

ACTION

August 20, 1974

MEMORANDUM FOR: THE PRESIDENT
FROM: KEN COLB ^C
SUBJECT: Your Decision on Payroll Taxes and
Health Insurance

Background

HEW Under Secretary Frank Carlucci just called to indicate that if we are to get a health insurance bill out of Ways and Means this year he will have to be in a position to tell Committee Republicans tomorrow morning that you would accept an increase in the payroll tax, up to 1%, to finance the catastrophic health insurance benefit provision of national health insurance. This would be with a proviso that the whole program be administered by private carriers and that the tax would be collected by social security but then paid out to the private companies to reimburse them for claims from the cost of catastrophic illness.

During your meeting with Secretary Weinberger last week, Cap raised this issue and told you that if you would agree to it, Mills would go along with a bill that is essentially what the Administration has proposed.

Cap told Mills after your meeting that we still oppose payroll financing but if it took acceptance of a limited payroll tax increase for catastrophic that you would go along with it to get a bill moving. I am reluctant to tell Carlucci to flash a positive signal to Republicans on the payroll tax without your approval.

Recommendations

1. OMB views a payroll tax (\$7 billion per year) as a major change in one of the basic principles underlying CHIP, opening the prospect of more and more Federal financing and control of the health system in the future.

2. Many of the health groups now will accept a limited social security role in order to get health insurance legislation enacted this year. They are fearful of the consequences of what the next Congress might do if the issue is held over.
3. HEW recommends that you allow them to tell the Ways and Means Republicans that you would go along with limited trust fund financing to get a good bill.
4. Bill Timmons recommends against any trust fund signal at this time. He questions whether you want any bill this year in view of its heavy fiscal impact -- it would add to a minimum of \$5-8 billion to the FY 77 budget.

Options

- Option 1 Let HEW tell Ways and Means Republicans that you will accept a payroll tax increase of up to 1% to finance the catastrophic illness provision as long as the rest of the bill maintains a public-private role without social security financing.
- Option 2 Continue public opposition to any social security involvement in national health insurance and so inform Committee Republicans.

Decision

Option 1


Weinberger

Option 2

Timmons

2 have talked with Bill T.